

Federal Energy Regulatory Commission

§ 367.1

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Subpart A—Definitions

§ 367.1 Definitions.

(a) When used in this system of accounts:

(1) *Accounts* mean the accounts prescribed by this Uniform System of Accounts.

(2) *Actually issued*, as applied to securities issued or assumed by the service companies, means those which have been sold to bona fide purchasers for a valuable consideration, those issued as dividends on stock, and those which have been issued in accordance with contractual requirements direct to trustees of sinking funds.

(3) *Actually outstanding*, as applied to securities issued or assumed by the service company, means those which have been actually issued and are neither retired nor held by or for the service company; provided, however, that securities held by trustees must be considered as actually outstanding.

(4) *Amortization* means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

(5) *Associate company* means any company in the same holding company system with such company.

(6) *Book cost* means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

(7) *Centralized service company* means a service company that provides services such as administrative, managerial, financial, accounting, record-keeping, legal or engineering services, which are sold, furnished, or otherwise provided (typically for a charge) to other companies in the same holding company system. Centralized service companies are different from other service companies that only provide a discrete good or service.

(8) *Commission* means the Federal Energy Regulatory Commission.

(9) *Company*, when not otherwise indicated in the context, means a service company.

(10) *Construction*, when used in the context of a service provided to other companies, means any construction, extension, improvement, maintenance, or repair of the facilities or any part thereof of a company, which is performed for a charge.

(11) *Cost* means the amount of money actually paid for property or services. When the consideration given is other than cash in a purchase and sale transaction, as distinguished from a transaction involving the issuance of common stock in a merger, the value of such consideration must be determined on a cash basis.

(12) *Cost accumulation system* means a system for the accumulation of service company costs on a job, project, or functional basis. It includes schedules and worksheets used to account for charges billed to single and groups of associate and non-associate companies. It can be a variety of systems, including but not limited to, a work order system or an activity-based accounting software system.

(13) *Cost of removal* means the cost of demolishing, dismantling, tearing down or otherwise removing service property, including the cost of transportation and handling incidental thereto. It does not include the cost of removal activities associated with asset retirement obligations that are capitalized as part of the tangible long-

lived assets that give rise to the obligation (See General Instructions in § 367.22).

(14) *Debt expense* means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen for marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

(15) *Depreciation*, as applied to depreciable service company property, means the loss in service value not restored by current maintenance. Among the causes to be used as consideration for causes of loss in service value are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

(16) *Direct cost* means the labor costs and expenses which can be identified through a cost allocation system as being applicable to services performed for a single or group of associate and non-associate companies. Cost incidental to or related to a directly charged item must be classified as direct costs.

(17) *Discount*, as applied to the securities issued or assumed by the service company, means the excess of the par (stated value of no-par stocks) or face value of the securities plus interest or dividends accrued at the date of the sale over the cash value of the consideration received from their sale.

(18) *Electric utility company* means any company that owns or operates facilities used for the generation, transmission, or distribution of electric energy for sale. For the purposes of this subchapter, “electric utility company” shall not include entities that engage only in marketing of electric energy.

(19) *Gas utility company* means any company that owns or operates facilities used for distribution at retail (other than the distribution only in enclosed portable containers or distribution to tenants or employees of the

company operating such facilities for their own use and not for resale) of natural or manufactured gas for heat, light, or power. For the purposes of this subchapter, “gas utility company” shall not include entities that engage only in marketing of natural and manufactured gas.

(20) *Goods* means any goods, equipment (including machinery), materials, supplies, appliances, or similar property (including coal, oil, or steam, but not including electric energy, natural or manufactured gas, or utility assets) which is sold, leased, or furnished, for a charge.

(21) *Holding company*.

(i) *In general*. The term “holding company” means—

(A) Any company that directly or indirectly owns, controls, or holds, with power to vote, 10 percent or more of the outstanding voting securities of a public-utility company or of a holding company of any public-utility company; and

(B) Any person, determined by the Commission, after notice and opportunity for hearing, to exercise directly or indirectly (either alone or pursuant to an arrangement or understanding with one or more persons) such a controlling influence over the management or policies of any public-utility company or holding company as to make it necessary or appropriate for the rate protection of utility customers with respect to rates that such person be subject to the obligations, duties, and liabilities imposed by this subchapter upon holding companies.

(ii) *Exclusions*. The term “holding company” does not include—

(A) A bank, savings association, or trust company, or their operating subsidiaries that own, control, or hold, with the power to vote, public utility or public utility holding company securities so long as the securities are—

(1) Held as collateral for a loan;

(2) Held in the ordinary course of business as a fiduciary; or

(3) Acquired solely for purposes of liquidation and in connection with a loan previously contracted for and owned beneficially for a period of not more than two years; or

(B) A broker or dealer that owns, controls, or holds with the power to

vote public utility or public utility holding company securities so long as the securities are—

(1) Not beneficially owned by the broker or dealer and are subject to any voting instructions which may be given by customers or their assigns; or

(2) Acquired in the ordinary course of business as a broker, dealer, or underwriter with the bona fide intention of effecting distribution within 12 months of the specific securities so acquired.

(22) *Holding company system* means a holding company, together with its subsidiary companies.

(23) *Indirect cost* means the costs of a general overhead nature such as general services, housekeeping costs, and other support cost which cannot be separately identified to a single or group of associate and non-associate companies and, therefore, must be allocated. Costs incidental to or related to indirect items should also be classified as an indirect cost.

(24) *Investment advances* means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they must be settled by the issuance of securities or must not be subject to current settlement.

(25) *Lease, capital* means a lease of property used by the service company, which meets one or more of the criteria stated in General Instructions in § 367.18.

(26) *Lease, operating* means a lease of property used by a service company, which does not meet any of the criteria stated in General Instructions in § 367.18.

(27) *Minor items of property* means the associated parts or items of which retirement units are composed.

(28) *Natural gas company* means a person engaged in the transportation of natural gas in interstate commerce or the sale of such gas in interstate commerce for resale.

(29) *Net salvage value* means the salvage value of property retired less the cost of removal.

(30) *Nominally issued*, as applied to securities issued or assumed by the service company, means those which have been signed, certified, or otherwise executed, and placed with the proper offi-

cer for sale and delivery, or pledged, or otherwise placed in some special fund of the service company, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

(31) *Nominally outstanding*, as applied to securities issued or assumed by the service company, means those which, after being actually issued, have been reacquired by or for the service company under circumstances which require them to be considered as held alive and not retired, provided, however, that securities held by trustees must be considered as actually outstanding.

(32) *Non-associate company* means a person, partnership, organization, government body or company which is not a member of the holding company system.

(33) *Non-utility company* means a company that is not a utility company.

(34) *Person* means an individual or company.

(35) *Premium*, as applied to securities issued or assumed by the service company, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of no-par stocks) or face value and interest or dividends accrued at the date of sale.

(36) *Public utility* means any person who owns or operates facilities used for transmission of electric energy in interstate commerce or sales of electric energy at wholesale in interstate commerce.

(37) *Public-utility company* means an electric utility company or gas utility company.

(38) *Regulatory assets and liabilities* are the assets and liabilities that result from rate actions for regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Uniform System of Accounts but for it being probable:

(i) That such items will be included in a different period(s) for purposes of developing rates the service company is authorized to charge for its services; or

(ii) In the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

(39) *Replacing or replacement*, when not otherwise indicated in the context, means the construction or installation of service property in place of property retired, together with the removal of the property retired.

(40) *Research, development, and demonstration* (RD&D) means expenditures incurred by a service company, for the service company or on behalf of others, either directly or through another person or organization (such as research institute, industry association, foundation, university, engineering company or similar contractor) in pursuing research, development, and demonstration activities including experiment, design, installation, construction, or operation. This definition includes expenditures for the implementation or development of new and/or existing concepts until technically feasible and commercially feasible operations are verified. When conducted on behalf of an associate or non-associate utility company such research, development, and demonstration costs should be reasonably related to the existing or future business of such company. The term includes, but is not limited to: All the costs incidental to the design, development or implementation of an experimental facility, a plant process, a product, a formula, an invention, a system or similar items, and the improvement of already existing items of a like nature; amounts expended in connection with the proposed development and/or proposed delivery of alternate sources of electricity or substitute or synthetic gas supplies (alternate fuel sources, for example, an experimental coal gasification plant or an experimental plant synthetically producing gas from liquid hydrocarbons); and the costs of obtaining its own patent, such as attorney's fees expended in making and perfecting a patent application. The term includes preliminary investigations and detailed planning of specific projects for securing for customers' non-conventional electric power or pipeline gas supplies that rely on technology that has not been verified previously to be feasible. The

term does not include expenditures for efficiency surveys; studies of management, management techniques and organization; consumer surveys, advertising, promotions, or items of a like nature.

(41) *Retained earnings* means the accumulated net income of the service company less distribution to stockholders and transfers to other capital accounts.

(42) *Retirement units* means those items of property which, when retired, with or without replacement, are accounted for by crediting the book cost of the retirement units to the property account in which it is included.

(43) *Salvage value* means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale; or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

(44) *Service* means any managerial, financial, legal, engineering, purchasing, marketing, auditing, statistical, advertising, publicity, tax, research, or any other service (including supervision or negotiation of construction or of sales), information or data, which is sold or furnished for a charge.

(45) *Service company* means any associate company within a holding company system organized specifically for the purpose of providing non-power goods or services or the sale of goods or construction work to any public utility in the same holding company system.

(46) *Service cost* means the total of direct and indirect costs incurred to provide a service to an associate or non-associate company which are properly charged to expense by the service company.

(47) *Service life* means the time between the date property is placed in service, or property is leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

(48) *Service value* means the difference between the cost and net salvage value of service property.

(49) *State commission* means any commission, board, agency, or officer, by

whatever name designated, of a State, municipality, or other political subdivision of a State that, under the laws of such State, has jurisdiction to regulate public-utility companies.

(50) *Uniform System of Accounts* (USofA) means the Uniform System of Accounts for Centralized Service Companies prescribed in this part, as amended from time to time.

(51) *Utility company* means a public-utility company or natural gas company whose rates are regulated by the Commission, state commission or other similar regulatory body.

(b) [Reserved]

Subpart B—General Instructions

§ 367.2 Companies for which this system of accounts is prescribed.

(a) Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4 of this chapter, this Uniform System of Accounts applies to any centralized service company operating, or organized specifically to operate, within a holding company system for the purpose of providing non-power services to any public utility in the same holding company system.

(b) This Uniform System of Accounts is not applicable to:

(1) Service companies that are specifically organized as a special-purpose company such as a fuel supply company or a construction company.

(2) Electric or gas utility companies.

(3) Companies primarily engaged:

(i) In the production of goods, including exploration and development of fuel resources,

(ii) In the provision of water, telephone, or similar services, the sale of which is normally subject to public rate regulation,

(iii) In the provision of transportation, whether or not regulated, or

(iv) In the ownership of property, including leased property and fuel reserves, for the use of associate companies.

(4) A service company that provides services exclusively to a local gas distribution company.

(5) Holding companies.

(c) To the extent that the term service company is used in this Uniform

System of Accounts, it applies only to centralized service companies.

§ 367.3 Records.

(a) Each service company must keep its books of account, and all other books, records, and memoranda that support the entries in the books of account, so as to be able to furnish full information on any item included in any account. Each entry must be supported by sufficient detailed information that will permit ready identification, analysis, and verification of all facts relevant and related to the records.

(b) The books and records referred to in this part include not only accounting records in a limited technical sense, but all other records, such as minutes books, stock books, reports, correspondence, and memoranda, that may be useful in developing the history of or facts regarding any transaction.

(c) No service company may destroy any books or records unless the destruction is permitted by the rules and regulations of the Commission.

(d) In addition to prescribed accounts, clearing accounts, temporary or experimental accounts, and sub-accounts of any accounts may be kept, provided the integrity of the prescribed accounts is not impaired.

(e) The arrangement or sequence of the accounts prescribed in this part must not be controlling as to the arrangement or sequence in report forms that may be prescribed by the Commission.

§ 367.4 Numbering system.

(a) The account numbering plan used in this part consists of a system of three-digit whole numbers as follows:

(1) 100-199, Assets and other debits.

(2) 200-299, Liabilities and other credits.

(3) 300-399, Property accounts.

(4) 400-432 and 434-435, Income accounts.

(5) 433, 436 and 439, Retained earnings accounts.

(6) 457-458, Revenue accounts.

(7) 500-599, Electric operating expenses.

(8) 800-894, Gas operating expenses.

(9) 900-949, Customer accounts, customer service and informational, sales,